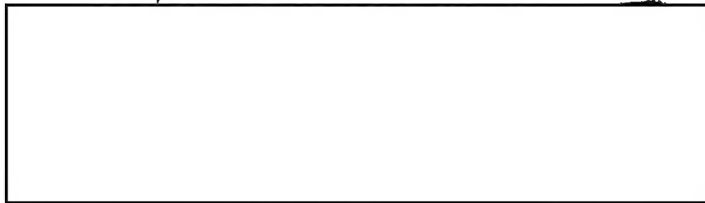


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CIA/CCR/S 08503 15



MEMORANDUM FOR: Mr. Donny Ellerman,  
National Security Council

SUBJECT : Vietnam as an NSA

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1. In reply to your request, it is clear that Vietnam would qualify, ex ante, as an NSA were the UN criteria applied to its balance of payments circumstances.

2. In view of developments in its balance of payments since 1974, we would not regard Vietnam as an NSA, ex post, since its 1974, 1975 deficits will be financed; but so will be those of Pakistan, which is on the NSA list.

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Director  
Economic Research

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OER/D/TA/ (24 January 75)



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Is South Vietnam an MSA?

We conclude that South Vietnam would easily qualify as an MSA if the United Nations criteria for identifying such countries are applied to it. Given its existing balance of payments circumstances, however, it would not be so regarded.

The U.N. criteria were set out in a "Special Programme" incorporated into the Programme of Action on the Establishment of a new International Economic Order adopted, by consensus, by the Sixth Special Session of the General Assembly on May 1, 1974. They were intended to be used to identify countries most seriously affected by increases in the prices of "essential imports such as food, fertilizers, energy products, capital goods, equipment and services, including transportation and transit costs" (UN Resolution 3202/S-VI dated 5/1/74). The General Assembly regarded MSAs to be those which were "the least developed, the land-locked ..... as well as other developing countries whose economies have been seriously dislocated as a result of the present economic crisis, national calamities, and foreign aggression and occupation."

The criteria set out in the Programme were: (i) low per capita income, (ii) sharp increase in import cost of essentials relative to export earnings, (iii) high ratio of debt servicing to export earnings, (iv) insufficiency in export earnings, comparative inelasticity of export incomes and unavailability of exportable surplus, (v) low level of foreign

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exchange reserves or their inadequacy for requirements, (vi) adverse impact of higher transportation and transit costs, (vii) relative importance of foreign trade in the development process.

On the basis of these general criteria the U.N. identified 32 countries in August 1974 as being "most seriously affected". This was done principally by: (i) estimating the current account balance per country for all "low income countries" for 1974 and 1975 on assumptions regarding import and export volumes and prices in the period, net service payments and transfers, (ii) estimating net capital inflows on the basis of recent historical data for each country, (iii) eventually including on the list only those countries with 1971 GNP per capita less than \$400 with overall deficits (the algebraic sum of the current account balance and net capital movement under (i) and (ii) above) exceeding 5 percent of imports for 1974 and 1975. Where the criteria could not be applied because of insufficient data on which to base estimates personal knowledge of imminent conditions appears to have been applied. Table I is an extract of the U.N. report MSAs of November 6, 1974 on these MSAs. GNP per capita data have been added.

In estimating net capital flows no provision was made for borrowing on commercial or hard terms. (Increases in private capital inflows are implicitly ruled out.) The official net flows are based on past disbursements and amortizations modified by new arrangements made up to September 1, 1974. The overall

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overall deficit is that which would occur with a minimum  
import level consistent with low but positive per capita  
real economic growth.

Balance of payments data on South Vietnam are shown in  
table 2 in a format similar to that of table 1. The actual  
situation presents a more sanguine deficit picture because  
real GNP has actually fallen for 1974 and will show no change  
for 1975. Under the UN criteria it would have risen, as would  
the current account deficit, because of the import requirements  
for such growth. Also under the UN criteria, official reserves  
are not assumed to rise above the 1973 level and they have in  
table 2 (b) but not in table 2 (c). Extraordinary increases in  
Development Assistance Committee capital flows for 1974-75 are  
in table 2 (b) but not in table 2 (c) as they are not included  
in the UN criteria.

In reality, therefore, South Vietnam's balance of payments  
deficits will be fully financed in 1974 and 1975; but so will  
those of Pakistan, an MSA.

Other countries that may imminently qualify as MSAs are  
Korea, Malawi, Burundi, Liberia, and possible Uganda. Several  
others, including Chile, would qualify but for the \$400 GNP  
per capita cut-off point.

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Table 1

Most Seriously Affected Countries: Balance of Payments  
Projections, 1974 and 1975

Millions of dollars

	GNP per capita (1971)	Projected Over-all Deficit a/		Current Account Deficit a/		Net Inflow of Capital b/		Projected Deficit as Percentage of Imports (c.i.f.) a/	
		1974	1975	1974	1975	1974	1975	1974	1975
Bangladesh	70	375	407	612	657	237	250	28.3	30.0
Central African Republic	150	19	25	39	49	20	24	21.6	25.0
Chad	80	16	30	66	80	53	50	10.1	17.1
Dahomey	100	9	14	23	30	14	16	5.5	7.7
Democratic Yemen	120	45	...	70	...	25	...	12.2	...
El Salvador	320	48	...	78	...	30	...	10.0	...
Ethiopia	80	...	...	...	...	...	...	...	...
Ghana	250	23	82	-7	85	-30	3	3.6	10.9
Guinea	90	21	-10	92	70	71	80	13.9	-5.8
Guyana	390	16	16	74	48	58	32	5.9	5.2
Haiti	120	8	-8	50	67	42	75	7.4	...
Honduras	300	33	44	84	104	51	60	8.9	10.2
India	110	820	880	1,919	2,270	1,099	1,390	16.8	15.7
Ivory Coast	330	57	77	153	203	96	126	5.7	6.7
Kenya	160	84	137	197	274	113	137	8.9	12.3
Khmer Republic	130	...	...	...	...	...	...	...	...
Laos	120	...	...	...	...	...	...	...	...
Lesotho	100	...	...	87	95	...	...	...	...
Malagasy Republic	140	32	25	88	82	56	57	10.3	7.6
Mali	70	42	32	53	46	11	14	30.9	24.6
Mauritania	170	17	16	26	28	9	12	9.6	8.3
Niger	100	30	22	31	23	1	1	21.1	19.6
Pakistan	130	155	78	485	513	330	435	8.6	3.8
Senegal	250	69	67	133	109	64	42	13.0	11.5

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Table 1

Most Seriously Affected Countries: Balance of Payments  
Projections, 1974 and 1975  
(Continued)

Millions of dollars									
	GNP per capita (1971)	Projected Over-all Deficit <sup>a/</sup>		Current Account Deficit <sup>a/</sup>		Net Inflow of Capital <sup>b/</sup>		Projected Deficit as Percentages of Imports (c.i.f.) <sup>a/</sup>	
		1974	1975	1974	1975	1974	1975	1974	1975
Sierra Leone	200	31	20	70	62	39	42	14.8	8.7
Somalia	70	27	29	56	59	29	30	18.6	18.7
Sri Lanka	100	69	100	152	185	83	85	9.7	13.0
Sudan	120	46	30	90	122	44	92	8.5	4.9
United Republic of Cameroon	200	25	42	43	67	18	25	5.6	8.2
United Republic of Tanzania	110	120	124	229	218	109	97	16.4	16.5
Upper Volta	70	10	17	82	73	72	56	7.4	12.6
Yemen (Arab Republic)	90	11	...	54	...	43	...	5.0	...
TOTAL <sup>d/</sup>		<u>2,257</u>	<u>2,293</u>	<u>5,044</u>	<u>5,524</u>	<u>2,787</u>	<u>3,231</u>		

a. Minus sign indicates surplus.

b. Minus sign indicates net outflow.

c. Balance on trade account.

d. Sum of listed amounts, excluding Ethiopia, Khmer Republic, Laos, and Lesotho.

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